

## EXECUTIVE SUMMARY

Idaho's economy began moving again in 2003 and is expected to gradually accelerate through 2007. This is a welcome change from 2002, when Idaho nonfarm employment declined for the first time in 15 years. The Idaho quarterly job data show employment declined during the last two quarters of 2001 and the first quarter of 2002. Idaho employment expanded slowly during the remainder of 2002, but was not strong enough to reverse the previously lost ground. Hence, the employment decline in 2002. It should be pointed out that while Idaho nonfarm employment was flat in 2002, it was stronger than its national counterpart that fell 1.1%. Idaho nonfarm employment growth is anticipated to gradually accelerate as the U.S. economy heats up. Specifically, nonfarm employment expands 1.0% in 2003, 1.5% in 2004, 1.7% in both 2005 and 2006, and 1.9% in 2007. While this growth is lower than during Idaho's long expansion, it is a welcome change from the absence of growth in 2002. Part of the reason for this subdued growth is the expected declines in the goods producing-sector over the next few years. This leaves the nongoods-producing sector responsible for all of the job growth. The largest growth engine will be the services sector followed by trade. Idaho personal income growth is also expected to improve over the forecast period. Nominal personal income should rise 4.7% in 2003, 5.7% in 2004, 4.9% in 2005, 5.6% in 2006, and 5.9% in 2007. Idaho real personal income is projected to increase 2.7% in 2003, 4.2% in 2004, 2.9% in 2005, 3.5% in 2006, and 3.7% in 2007. After stalling, Idaho's economy is making the turn toward prosperity. While this turn may seem slow to some, it is a change toward the right direction.

It appears the U.S. economy completed its protracted turn away from the doldrums into more prosperous waters during the second half of 2003. Technically, the U.S. economic recovery began about two years ago. Indeed, real GDP has grown since the last quarter of 2001. More specifically, the National Bureau of Economic Research pinpoints the recession's end as November 2001. Although the economy has been moving forward since then, up until recently, it has not felt like much of a recovery. The reason for this is the absence of two important parts of a typical recovery: the lack of business investment and the lack of jobs. The good news is conditions are finally ripe for continued growth over the forecast period. First, previous high-tech investments are becoming obsolete. Second, any equipment purchases will be helped by low interest rates. Third, improving corporate profits will make it easier to pay for equipment. Fourth, generous tax treatment for newly acquired equipment will also tilt the scales in favor of additional investment. Fifth, the improving stock market will give companies another option for financing their equipment needs. The declining U.S. civilian unemployment rate is evidence the long-suffering labor market is improving. This is important because the positive impact of stronger employment is assumed to kick in as the impacts fiscal and monetary policies wind down. Two missing pieces of the economic recovery, investment and jobs, have finally fallen into place. By doing so they complete a picture that suggests the U.S. economy will enjoy stronger growth over the forecast period than it did in the first three years of this decade.

# IDAHO ECONOMIC FORECAST

## EXECUTIVE SUMMARY

JANUARY 2004

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>GDP (BILLIONS)</b>											
Current \$	8,318	8,782	9,274	9,825	10,082	10,446	10,925	11,580	12,211	12,883	13,610
% Ch	6.5%	5.6%	5.6%	5.9%	2.6%	3.6%	4.6%	6.0%	5.4%	5.5%	5.6%
1996 Chain-Weighted	8,159	8,509	8,859	9,191	9,215	9,440	9,716	10,138	10,498	10,871	11,259
% Ch	4.4%	4.3%	4.1%	3.8%	0.3%	2.4%	2.9%	4.3%	3.6%	3.6%	3.6%
<b>PERSONAL INCOME - CURR \$</b>											
Idaho (Millions)	25,227	27,066	28,902	31,177	32,363	33,585	35,160	37,167	38,981	41,165	43,602
% Ch	4.4%	7.3%	6.8%	7.9%	3.8%	3.8%	4.7%	5.7%	4.9%	5.6%	5.9%
Idaho Nonfarm (Millions)	24,557	26,149	27,872	30,382	31,400	32,572	34,008	35,855	37,734	39,885	42,331
% Ch	5.4%	6.5%	6.6%	9.0%	3.3%	3.7%	4.4%	5.4%	5.2%	5.7%	6.1%
U.S. (Billions)	6,937	7,426	7,786	8,407	8,685	8,922	9,210	9,685	10,223	10,817	11,471
% Ch	6.0%	7.0%	4.9%	8.0%	3.3%	2.7%	3.2%	5.2%	5.6%	5.8%	6.0%
<b>PERSONAL INCOME - 1996 \$</b>											
Idaho (Millions)	24,745	26,268	27,594	29,030	29,538	30,239	31,055	32,367	33,314	34,476	35,739
% Ch	2.4%	6.2%	5.0%	5.2%	1.7%	2.4%	2.7%	4.2%	2.9%	3.5%	3.7%
Idaho Nonfarm (Millions)	24,088	25,379	26,611	28,291	28,659	29,326	30,037	31,224	32,248	33,403	34,697
% Ch	3.4%	5.4%	4.9%	6.3%	1.3%	2.3%	2.4%	4.0%	3.3%	3.6%	3.9%
U.S. (Billions)	6,804	7,207	7,435	7,828	7,927	8,033	8,134	8,434	8,737	9,060	9,402
% Ch	3.9%	5.9%	3.2%	5.3%	1.3%	1.3%	1.3%	3.7%	3.6%	3.7%	3.8%
<b>HOUSING STARTS</b>											
Idaho	8,864	10,113	10,343	11,528	12,240	13,196	15,247	12,892	12,229	11,627	11,065
% Ch	-3.9%	14.1%	2.3%	11.5%	6.2%	7.8%	15.5%	-15.4%	-5.1%	-4.9%	-4.8%
U.S. (Millions)	1.475	1.621	1.647	1.573	1.601	1.711	1.792	1.722	1.612	1.603	1.623
% Ch	0.4%	9.9%	1.6%	-4.5%	1.8%	6.9%	4.7%	-3.9%	-6.4%	-0.6%	1.2%
<b>TOTAL NONFARM EMPLOYMENT</b>											
Idaho	507,422	520,473	538,096	558,571	568,017	568,015	573,581	581,925	591,734	602,052	613,550
% Ch	3.4%	2.6%	3.4%	3.8%	1.7%	0.0%	1.0%	1.5%	1.7%	1.7%	1.9%
U.S. (Thousands)	122,767	125,924	128,994	131,790	131,830	130,376	130,009	131,491	134,395	136,853	139,293
% Ch	2.6%	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	2.2%	1.8%	1.8%
<b>SELECTED INTEREST RATES</b>											
Federal Funds	5.5%	5.4%	5.0%	6.2%	3.9%	1.7%	1.1%	1.1%	1.9%	2.4%	3.1%
Bank Prime	8.4%	8.4%	8.0%	9.2%	6.9%	4.7%	4.1%	4.1%	4.9%	5.4%	6.1%
Existing Home Mortgage	7.7%	7.1%	7.3%	8.0%	7.0%	6.5%	5.8%	6.7%	7.1%	7.1%	7.2%
<b>INFLATION</b>											
GDP Price Deflator	1.9%	1.2%	1.4%	2.1%	2.4%	1.1%	1.6%	1.6%	1.8%	1.9%	2.0%
Personal Cons Deflator	1.9%	1.1%	1.6%	2.5%	2.0%	1.4%	1.9%	1.4%	1.9%	2.0%	2.2%
Consumer Price Index	2.3%	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	1.4%	1.9%	2.0%	2.2%

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JANUARY 2004

	2003				2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>GDP (BILLIONS)</b>												
Current \$	10,688	10,803	11,038	11,169	11,335	11,484	11,670	11,831	11,988	12,138	12,283	12,433
% Ch	3.8%	4.3%	9.0%	4.8%	6.1%	5.4%	6.6%	5.7%	5.4%	5.1%	4.9%	5.0%
1996 Chain-Weighted	9,552	9,629	9,797	9,885	9,985	10,076	10,197	10,294	10,378	10,459	10,536	10,620
% Ch	1.4%	3.3%	7.2%	3.6%	4.1%	3.7%	4.9%	3.9%	3.3%	3.2%	3.0%	3.2%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	34,545	34,922	35,354	35,820	36,431	36,900	37,462	37,876	38,292	38,788	39,276	39,569
% Ch	5.0%	4.4%	5.0%	5.4%	7.0%	5.3%	6.2%	4.5%	4.5%	5.3%	5.1%	3.0%
Idaho Nonfarm (Millions)	33,379	33,727	34,250	34,677	35,173	35,596	36,080	36,570	37,028	37,497	37,980	38,431
% Ch	3.6%	4.2%	6.3%	5.1%	5.9%	4.9%	5.5%	5.5%	5.1%	5.2%	5.2%	4.8%
U.S. (Billions)	9,080	9,156	9,247	9,355	9,491	9,612	9,751	9,888	10,024	10,157	10,291	10,419
% Ch	3.0%	3.4%	4.0%	4.8%	5.9%	5.2%	5.9%	5.8%	5.6%	5.4%	5.4%	5.0%
<b>PERSONAL INCOME - 1996 \$</b>												
Idaho (Millions)	30,675	30,947	31,146	31,453	31,917	32,229	32,562	32,760	32,967	33,233	33,485	33,574
% Ch	2.2%	3.6%	2.6%	4.0%	6.0%	4.0%	4.2%	2.5%	2.5%	3.3%	3.1%	1.1%
Idaho Nonfarm (Millions)	29,639	29,888	30,173	30,449	30,815	31,090	31,360	31,630	31,878	32,127	32,379	32,608
% Ch	0.8%	3.4%	3.9%	3.7%	4.9%	3.6%	3.5%	3.5%	3.2%	3.2%	3.2%	2.9%
U.S. (Billions)	8,063	8,114	8,146	8,215	8,315	8,395	8,475	8,552	8,630	8,703	8,774	8,840
% Ch	0.3%	2.6%	1.6%	3.4%	4.9%	3.9%	3.9%	3.7%	3.7%	3.4%	3.3%	3.1%
<b>HOUSING STARTS</b>												
Idaho	15,633	14,710	16,398	14,247	13,301	12,890	12,724	12,654	12,497	12,313	12,138	11,969
% Ch	-13.6%	-21.6%	54.4%	-43.0%	-24.0%	-11.8%	-5.0%	-2.2%	-4.9%	-5.8%	-5.6%	-5.4%
U.S. (Millions)	1,737	1,739	1,868	1,825	1,776	1,752	1,698	1,662	1,629	1,609	1,605	1,606
% Ch	-1.4%	0.5%	33.2%	-9.0%	-10.2%	-5.5%	-11.7%	-8.1%	-7.8%	-4.7%	-1.0%	0.2%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	572,805	570,754	574,468	576,297	578,572	580,635	583,077	585,418	587,948	590,643	593,172	595,173
% Ch	0.3%	-1.4%	2.6%	1.3%	1.6%	1.4%	1.7%	1.6%	1.7%	1.8%	1.7%	1.4%
U.S. (Thousands)	130,225	129,984	129,838	129,989	130,420	130,986	131,867	132,689	133,393	134,142	134,739	135,304
% Ch	-0.3%	-0.7%	-0.4%	0.5%	1.3%	1.7%	2.7%	2.5%	2.1%	2.3%	1.8%	1.7%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	1.3%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%	1.3%	1.4%	1.8%	2.0%	2.3%
Bank Prime	4.3%	4.2%	4.0%	4.0%	4.0%	4.0%	4.0%	4.2%	4.4%	4.8%	5.0%	5.3%
Existing Home Mortgage	5.9%	5.6%	5.7%	6.1%	6.4%	6.6%	6.8%	6.8%	6.9%	7.1%	7.2%	7.2%
<b>INFLATION</b>												
GDP Price Deflator	2.4%	1.0%	1.7%	1.2%	1.9%	1.6%	1.7%	1.7%	2.0%	1.9%	1.8%	1.7%
Personal Cons Deflator	2.7%	0.8%	2.4%	1.3%	0.9%	1.2%	2.0%	2.0%	1.9%	1.9%	2.0%	1.9%
Consumer Price Index	3.9%	0.6%	2.3%	1.1%	0.9%	1.2%	2.0%	2.0%	1.8%	1.9%	1.9%	1.9%